



Spartan Capital Corp. Ltd.

(formerly Spartan Air Services Limited)

1972 ANNUAL REPORT

Directors

M. Bercuvitz

H. Bloom

A. Bornemisa

Z. Climan

R. H. Croll

G. DeDiveky

P. DeZwirek

N. E. Lamb

P. F. McDonald

Transfer Agent and Registrar

The Royal Trust Company

Montreal

Toronto

Listed: Canadian Stock Exchange

Symbol: STC

Spartan Capital Corp. Ltd.

To the Shareholders:

The past 12 months have marked a significant turning point in the history of your company. We have pursued our intended policy of liquidating our holdings in the aerial survey business and of utilizing our assets for acquisitions that offer greater long term appreciation.

We have changed the company name to Spartan Capital Corp. Ltd. since this name better depicts the scope of our future operations.

We have disposed of our interest in Spartan Aero Ltd. and Meridian Airmaps Ltd., our remaining aerial survey businesses, and we are, therefore, this year writing off our excess of cost over sales price of these companies. We have purchased Leverage Investment Corp., a Montreal based finance company, which, for the year ended December 31, 1972, earned \$123,000 before taxes.

We have announced a memorandum of understanding between ourselves and Kay Laboratories, of San Diego, California, wherein it was agreed that Spartan will acquire Kay. This acquisition is subject to the approval of the various regulatory authorities. Your directors believe that the acquisition of Kay Laboratories will be most rewarding. Kay manufactures products which utilize thermal energy to produce instant heat or cold in package form. These products have numerous applications in the industrial, leisure and medical fields. Kay is doing constant research and development of new products and has recently developed its instant heat package in a

re-usable form. The company has received substantial initial orders for products which utilize this new technology. Research and development in the utilization of solar energy is another aspect of Kay's program, and a solar pilot plant has recently been installed. We feel that the efforts and talents being utilized by Kay will result in dramatic new products for an energy hungry market.

Your directors are also in the process of concluding an arrangement with Greencoast Resources Ltd. to acquire petroleum, natural gas and mineral rights on approximately 1 million acres of land in Greenland. Spartan already owns a large block of shares of Greencoast Resources Ltd., and the addition of these natural resource rights further strengthens your company's position in the vast potential of the North.

Your company is now in a sound financial condition, and due to our recent sales and acquisitions, the company will have no long term debt and a positive cash flow. We are confident of the future of your company, and feel significant progress will be made building on the base which we have established.

On behalf of the Board of Directors

Reuben H. Croll
President

June 28, 1973

Spartan Capital Corp. Ltd.

(formerly SPARTAN AIR SERVICES LIMITED)

(Incorporated under the laws of Canada)

Balance Sheet — October 31, 1972

(with comparative figures at October 31, 1971)

ASSETS

Current Assets

	1972	1971 (note 1)
Deposits and accounts receivable	\$ 7,583	\$ 39,335
Receivable from a director	10,729	10,167
Inventories of supplies and parts, at estimated realizable value		27,202
Prepaid expenses		7,482
Receivable from a director and his associates on sale of a subsidiary company	250,000	
	<u>268,312</u>	<u>84,186</u>

Investment in Subsidiary Companies Subsequently Sold (note 1) 746,332

Investments — Other (note 2) 1,421,668 1,200,000

Fixed Assets, at cost

Aircraft and aerial cameras	703,247
Other equipment	80,308
	<u>783,555</u>
Less accumulated depreciation	354,791
	<u>428,764</u>

Other Assets

Deferred finance expenses, less amortization 15,775

Approved by the Board	<u>\$1,689,980</u>	<u>\$2,475,057</u>
(signed) Reuben H. Croll, Director		
(signed) Zave Climan, Director		

LIABILITIES

	1972	1971 (note 1)
Current Liabilities		
Accounts payable and accrued liabilities (note 3)	\$ 150,493	\$ 63,827
Payable to directors and associates	49,000	
Principal due within one year on long-term debt		55,863
	<u>199,493</u>	<u>119,690</u>
Long-Term Debt		
Notes payable, conditional sales contracts		148,156
Less principal included in current liabilities		55,863
SHAREHOLDERS' EQUITY		<u>92,293</u>

Capital Stock (notes 4 and 7(b))

Authorized

1,350 6% Cumulative Class A preferred shares,
redeemable at par value of \$100 per share

8,500 6% Cumulative Class B preferred shares,
redeemable at par value of \$100 per share

10,000,000 Common shares without par value

Issued

1,350 Class A preferred shares (note 5) 135,000 135,000

5,232,515 Common shares 5,787,055 5,787,055

5,922,055 5,922,055

Deficit (note 6) 4,431,568 3,658,981

1,490,487 2,263,074

\$1,689,980 \$2,475,057

Subsequent Events (note 7)

Spartan Capital Corp. Ltd.

Statement of Income

Year Ended October 31, 1972

(with comparative figures for 1971)

	1972	1971 (note 1)
Expenses	\$ 190,450	\$ 143,455
Less rental income from subsidiary	52,894	130,017
	137,556	13,438
Add share of operating income (loss) of subsidiary companies subsequently sold (note 9)	(271,649)	53,638
Income (loss) before the undernoted items	(409,205)	40,200
Loss related to operations of subsidiary companies subsequently discontinued (note 8)		430,953
Loss on disposal of assets (note 9)	363,382	
Loss for the Year	\$ 772,587	\$ 390,753
Loss per share	\$.15	\$.07

Statement of Deficit

Year Ended October 31, 1972

(with comparative figures for 1971)

	1972	1971 (note 1)
Deficit at beginning of year	\$3,658,981	\$3,268,228
Loss for the year	772,587	390,753
Deficit at End of Year	\$4,431,568	\$3,658,981

Statement of Source and Application of Funds

Year Ended December 31, 1972

(with comparative figures for 1971)

	1972	1971 (note 1)
Source of Funds		
Proceeds from sales of assets — net	\$ 498,100	\$ 536,408
Issue of common shares		1,203,500
Recovery of advances to subsidiaries whose operations have been discontinued		402,681
Reduction in deferred charges		25,594
	<u>498,100</u>	<u>2,168,183</u>
Application of Funds		
Operations		
Loss for the year	772,587	390,753
Depreciation and amortization	(57,740)	(77,686)
Profit (loss) on sale of assets	(363,382)	3,100
Loss related to operations of subsidiary companies subsequently discontinued		(430,953)
Share of operating income (loss) of subsidiary companies subsequently sold	(271,649)	53,638
	<u>79,816</u>	<u>(61,148)</u>
Reduction in long-term debt	92,293	242,144
Increase in investments — other	221,668	1,200,000
	<u>393,777</u>	<u>1,380,996</u>
Increase in Working Capital Position	104,323	787,187
Working Capital Deficiency at Beginning of Year	35,504	822,691
Working Capital (Deficiency) at End of Year	\$ 68,819	\$ (35,504)

Spartan Capital Corp. Ltd.

Notes to Financial Statements

Year Ended October 31, 1972

1. Investment in Subsidiary Companies

In the previous year the accounts of subsidiary companies were consolidated with those of the company.

Having regard to the transactions described in note 9, the directors of the company are of the opinion that the restating of the 1971 figures to account for the investment in subsidiary companies on the equity basis is the more informative presentation.

2. Investments — Other

The investments comprise the following:

Shares, at cost

Green Coast Resources Limited —	
245,500 shares	\$1,236,483
Kenting Limited — 12,904 shares	100,006
Others	42
	<u>1,336,531</u>

Notes receivable

Note receivable from a director on sale of a subsidiary company, maturing May 15, 1980 and bearing interest at the rate of 1% above the prime rate of the Royal Bank 60,000

6% Note receivable from Coleman American Companies, Inc., maturing March 31, 1977 25,137

	<u>85,137</u>
	<u>\$1,421,668</u>

3. Accounts Payable and Accrued Liabilities

As security for debts in the amount of \$57,727 certain shares held as investments have been pledged.

4. Capital Stock

- (a) 1,275,000 Common shares are reserved for outstanding share warrants issued to directors and officers. At a meeting of the Board of Directors held February 29, 1972, a resolution was passed authorizing a reduction of the price at which the outstanding share warrants may be exercised to 55¢ per share from \$1.25 and \$1.50 for the remainder of the terms of the two options as follows:
- (i) On 800,000 shares at 55¢ per share if exercised before the close of business on August 27, 1974.
- (ii) On 475,000 shares at 55¢ per share if exercised before the close of business on October 29, 1976.
- (b) An additional 200,000 common shares are reserved for possible future granting of employees' stock options. During the year stock options were granted to a director to purchase, during the term of his employment, 50,000 common shares of the company at a price of .357¢ per share pro rata over a five year period.

5. Arrears of Dividends on Class A Preferred Shares

Dividends on Class A preferred shares have been paid to the 1957 fiscal year. Arrears amount to \$121,500.

6. Deficit

The deficit includes capital surplus of \$45,700 set aside pursuant to section 62 of the Canada Corporations Act and contributed surplus of \$147,768.

7. Subsequent Events

- (a) Change of name
By Supplementary Letters Patent dated January 2, 1973 the name of the company was changed to Spartan Capital Corp. Ltd.

(b) Capital stock issued

Subsequent to October 31, 1972, 2,010,000 common shares were issued as follows:

- (i) 10,000 Common shares were issued to a director upon exercise of stock options previously granted (note 4(b)) for \$3,570.
- (ii) 2,000,000 Common shares were issued at a stated value of \$800,000 in exchange for 10,000 common shares (held beneficially by the directors, or members of their immediate families, of Spartan Capital Corp. Ltd.) of Leverage Investment Corp., being all of the outstanding voting shares of the company acquired.

Following is a summary of the assets and liabilities of Leverage Investment Corp. at December 31, 1972:

Assets	
Current	\$725,200
Liabilities	
Current	\$501,300
Long-term debt	102,000
	603,300
Shareholders' Equity	121,900
	<u>\$725,200</u>

On February 5, 1973 the company's Board of Directors passed a resolution to guarantee the indebtedness of Leverage Investment Corp. to the bank which totalled \$344,000 at that date.

- (c) Subject to the approval of the shareholders and confirmation by Supplementary Letters Patent, the capital of the company is to be reduced by cancelling paid-up capital of the company to the extent of \$4,431,568, being the amount of the accumulated deficit at October 31, 1972.

8. Loss Related to the Operations of Subsidiary Companies Subsequently Discontinued

On November 18, 1971 Velocity Surveys Limited, including its wholly-owned subsidiary, Servicios Aereos Spartan S.A., was placed in receivership. As it was not possible to segregate their operating losses for fiscal 1971 from losses resulting from the receivership, both amounts are reflected in the statement of income as "Loss related to the operations of subsidiary companies subsequently discontinued, \$430,953."

9. Disposal of Assets

The financial statements give effect to the sale of fixed assets and the assumption, by the purchaser, of related liabilities and the sale of subsidiary companies, Spartan Aero Limited and Meridian Airmaps Limited, the agreements for which were signed after October 31, 1972. The net loss on sale of subsidiaries, together with the company's share of operating losses of subsidiaries, are reflected on the statement of income. The directors of the company are of the opinion that the disclosure afforded by this method of presentation is desirable and more informative.

10. Other Statutory Information

	1972	1971
Number of directors	9	9
Aggregate remuneration of directors as directors	Nil	\$ 10,000
Number of officers	4	5
Aggregate remuneration of officers as officers	\$108,200	\$121,000
Number of officers who are also directors	4	4
Depreciation and amortization	\$ 57,740	\$ 77,686
Interest on long-term debt	\$ 7,496	\$ 11,847

AUDITORS' REPORT

To the Shareholders of
SPARTAN CAPITAL CORP. LTD.

We have examined the balance sheet of Spartan Capital Corp. Ltd. (formerly Spartan Air Services Limited) as at October 31, 1972 and the statements of income, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at October 31, 1972 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year as restated (note 1).

THORNE GUNN & CO.
Chartered Accountants

Ottawa, Canada
March 26, 1973

